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THE PHILIPPINE POSTAL SAVINGS BANK

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In undertaking a sketch of the Philippine Postal Bank, three general questions present themselves: (1) What were the conditions leading to the bank's establishment? (2) What are its characteristic features? (3) How has it so far succeeded? We will briefly consider these questions in their order.

It would be superfluous to attempt to explain to the members and friends of this society the importance of the saving habit in the building of character, and in the inculcation of those basic virtues of providence, thrift and self-control, which are among the foundation stones of popular self-government. It is because these virtues find expression in the saving habit, and are in turn developed by that habit, that the late Francis A. Walker could say with truth that, "Nations are progressive in proportion as they possess the power to save."

No one acquainted with the Filipino people need be told that they are deficient in frugality and thrift—virtues in which their neighbors, the Chinese, excel. Whether the Filipino's improvidence is due to his Malay stock which is proverbial throughout the Orient for thriftlessness, to the tropical climate in which he lives, or to the insecurity of property during the Spanish régime, and the absence of facilities for the safe-keeping of money, need not concern us here; the fact remains, that, allowing for many noteworthy exceptions, the Filipinos as a people have never developed the saving habit, and are deficient in foresight, the capacity to anticipate the future, in thrift, the capacity to labor for the future, and in self-control, the capacity to deny themselves the pleasures of the present for the more enduring ones of the future.

If the Filipino people have never developed the habit of saving, nor the virtues which that habit exemplifies and inculcates, the question arises: How can they be encouraged to save, to forego the momentary pleasures of the cock-pit, the gambling table, of

cheap jewelry, and of the holidays without number, for the more substantial advantages arising from an accumulated reserve? It is evident that we cannot force the Filipino to save against his will, and that we cannot expect suddenly to transform him by any device of law, or education, into a frugal and thrifty Anglo-Saxon. We can do something, however. We can teach the younger generation, through the public schools, the importance of saving, we can provide throughout the islands, for the benefit of those who are inclined to save, convenient places for the deposit of small sums, and can make the depositors absolutely secure in the possessions of their savings.

In a country where there are no banks outside the three principal cities, where there are but five cities containing more than ten thousand population, and where three-fifths of the civilized population live in barrios of less than one thousand inhabitants,¹ there is only one way to bring savings bank facilities within the reach of the people, and that is by the establishment of a postal savings bank. This fact impressed itself upon Secretary Taft when he was Governor of the Philippines, and in the summer of 1903 he directed the writer to prepare a report on the advisability of establishing such an institution. The report was duly prepared and submitted to the Philippine Commission early the following year. It recommended the establishment of a Philippine postal savings bank, and was accompanied by a draft postal savings bank bill. This bill was passed with a few alterations by the Philippine Commission on May 24, 1906, and is the basis of the present Philippine Postal Savings Bank.²

The general plan of the bank³ is similar to that followed in many of the British colonies. It is a highly centralized institution, the head office is a division of the bureau of posts in Manila. All records of the bank are kept in this office, and through it all deposits and withdrawals must pass. This high degree of centralization, and the division of the postal savings banks of the islands into three classes, of which I shall speak presently, were rendered necessary largely in the interest of the safe handling of the savings

¹Philippine Census, 1903, II, 38.

²The Philippine Postal Savings Bank act is numbered 1493, and is published in the Philippine Official Gazette, IV (June 20, 1906), pp. 409-412.

³For a more detailed outline of the plan see Kemmerer, "The Philippine Postal Savings Bank," in *Review of Reviews*, XXXIV (1906), 468-470.

bank funds. It would be obviously impracticable to impose any great money responsibility upon the 500 or more native postmasters scattered in the rural communities throughout the islands. The bank's centralization makes it possible, moreover, to permit any depositor to make deposits and withdrawals through any postal savings bank. This is an important advantage to soldiers, members of the Philippine constabulary, and others whose duties compel them to lead a more or less nomadic life.

Postal savings banks are divided into banks of the first, second and third class respectively. The director of posts determines to which class each bank shall belong. There are no limitations as to the size of deposits and withdrawals that may be made at banks of the first class. Banks of the second class are not allowed to receive any single deposit of over one hundred pesos—a peso is equivalent to \$0.50—nor to permit withdrawals of more than two hundred pesos a month. Banks of the third class can only receive deposits by means of postal savings bank stamps. No single deposit of over twenty-five pesos in stamps can be received by a postal savings bank of the third class, and no depositor is permitted to withdraw through a postal savings bank of the third class over fifty pesos at one time.

The minimum deposit authorized at any postal savings bank is one peso. The clerical expenses connected with the receiving and entering up of a deposit make it inexpedient to receive sums of less than that amount. A peso, however, is a considerable sum of money to a large number of the Filipinos whom the bank is intended to benefit, and more particularly to the children in the schools. In order to provide an attractive method of meeting the needs of children and of others wishing to make petty savings, the system of postal savings bank stamps which has proven so successful in England, India and elsewhere, has been adopted. Attractive postal savings bank stamps in denominations of five, ten, and twenty centavos are for sale at every postal savings bank in the islands. Folding cards with spaces on which to paste these stamps are distributed free of charge, and cards on which a peso's worth of stamps has been placed are received on deposit as the equivalent of money, at all postal savings banks.

The law provides that interest at two and one-half per cent

per annum shall be allowed on deposits "until practical experience shall demonstrate that a higher rate can safely be guaranteed." There is no limit to the amount that a person may have on deposit in the bank. It is provided, however, following the practice in Italy, that, "money to the credit of any depositor in excess of one thousand pesos shall not bear interest." The interest bearing minimum and the authorized maxima of deposits and withdrawals are doubled in the case of accounts of charitable and benevolent societies. The object of permitting deposits above the usual minimum of other countries, without interest, was two-fold. It was believed that such a privilege would benefit many well-to-do people who were not within the reach of other banks, or who, for one reason or another, distrusted them, by providing them with an absolutely safe place for the deposit of their larger savings. It would, in other words, provide an excellent and safe substitute for the practice of hoarding. In the second place it was evident that the bank by obtaining interest on the investment of such deposits, on which it paid no interest, would be in a better position to meet its running expenses, and might in time be enabled thereby to increase its rate of interest payable on the deposits of the poorer people for whose benefit the bank of course primarily exists.

The duty of investing postal savings bank funds is entrusted to a board known as the postal savings bank investment board, which is "composed of the secretary of commerce and police, the secretary of finance and justice, the director of posts, the insular treasurer, and a business man . . . appointed by the governor-general. Four classes of investments are permitted. They are: (1) United States bonds. (2) Bonds of the Philippine insular government, of the City of Manila and of certain other municipalities in the islands. (3) "Interest-bearing deposits, under proper security, in any bank situated in the United States or in the Philippine Islands having an unimpaired paid-up capital equivalent to one million five hundred thousand pesos," and (4) stocks of any such bank doing business in the Philippine Islands. No other kinds of investment are permitted. Absolute safety rather than large earnings is the dominant consideration in the investment of Philippine postal savings bank funds. Such are the broad outlines of the Philippine postal savings bank.

How has the bank so far succeeded? No adequate answer to

this question is yet possible. Few offices of the bank have yet been put in operation, and those few have been doing business only a short time. The postal savings bank stamps did not arrive in the islands until the fore part of February, and no reports have yet been received as to the way in which the Filipinos are taking to them.

The following facts, based upon the monthly reports of the chief of the postal savings bank division, as printed in the Manila daily papers, will give some idea of the progress of the bank during the first few months. The act creating the bank was passed on May 24, 1906, and shortly afterwards Mr. Ben F. Wright, formerly bank examiner for the islands, was appointed chief of the postal savings bank division in the bureau of posts, and assigned the work of organizing the bank, under the supervision of the director of posts.

On October 1 a postal savings bank was opened in the Manila post-office, and other banks were thereafter opened as rapidly as possible in the money-order post-offices of the islands. By November 30 there were nine banks open to the public,⁴ and by the end of December the number reporting had increased to twenty-nine,⁵ and on January 31 of this year there were sixty-two banks in operation.⁶ During the month of October 214 accounts were opened at the Manila bank, and deposits aggregating 76,000 pesos were made. Of the 214 depositors 73 per cent were Americans and 14 per cent were Filipinos.⁷ During the month of November the amount on deposit in the postal savings banks increased 69 per cent, and the number of depositors increased from 214 to 368. Of this number 78 per cent were Americans, and 12 per cent were Filipinos. During the month of December,⁸ the last month for which figures are available, the amount on deposit increased to 185,000 pesos, an increase for the month of about 44 per cent, while the number of depositors increased to 621, an increase of 69 per cent. Of these 621 depositors 500, or 82 per cent, were Americans, and 90, or 14 per cent, were Filipinos.

With reference to the classes of people making deposits, the

⁴Manila Times, December 21, 1906.

⁵Manila Cablenews, February 3, 1907.

⁶Manila Times, December 21, 1906.

⁷Manila Times, November 12, 1906.

⁸Manila Cablenews, February 3, 1907.

following particulars are of interest: Five hundred and fifty-six were male, sixty-three were female, and two were charitable societies. The principal occupations, represented, in the order of their numerical importance, were: (1) clerks, (2) artisans, (3) professional classes, (4) laborers, (5) soldiers and sailors, and (6) policemen. Eighteen depositors were children under fifteen years of age, and eight were students. There was not a depositor belonging to the agricultural classes who constitute the principal element in the Philippine population.⁹ The absence of agriculturists is doubtless to be explained in part by the fact that all of the banks in operation at the close of the year were in towns of some size, and that the banks had not yet been well advertised in the smaller barrios. Stated in round numbers, the average amount to the credit of a depositor was 298 pesos, the average size of deposits made in December was 140 pesos, and the average size of withdrawals was 106 pesos. There were forty-one accounts above the interest-bearing maximum of 1,000 pesos, including two above 5,000 pesos. One hundred and seventy-eight accounts were below 50 pesos, and 165 were between 100 pesos and 300 pesos.¹⁰

The figures show that the bank has made rapid progress during the first few months, and give earnest of great future usefulness. The benefits of the bank so far, however, appear to have accrued principally to Americans and Europeans. It was expected that Filipinos would become depositors of the bank only very slowly, and the results so far bear out this expectation. The Filipinos, comprising over 99 per cent of the civilized population of the islands, constituted but 14 per cent of the depositors of the postal savings bank at the end of the year, after the bank had been in operation three months; while Americans, comprising less than one-third of 1 per cent of the population, constituted 82 per cent of the depositors. In other words relative to population in the islands, there were about 1,700 American depositors to one Filipino depositor. Relative to population in Manila, there were 260 American depositors to one Filipino depositor. At the end of October Filipinos constituted 14 per cent of the total number of depositors; at the end of November the percentage was 12, and at the end of December it was again 14. There was, accordingly, from the beginning down to De-

⁹Manila Cablenews, February 3, 1907.

¹⁰Manila Cablenews, February 3, 1907.

ember 31 no appreciable increase in the proportion of Filipino depositors. Such comparisons must of course, not be given too much weight. In the interpretation of these figures large allowance must be made for the short time during which the banks have been in operation, for the Filipino's distrust, his lack of familiarity with such institutions, and for the fact that the banks to which our information refers are in towns of considerable size, in which the percentage of American population is much larger than it is for the country as a whole. After due allowance, however, is made for all these considerations, I think we must conclude that the little evidence so far available tends to substantiate the Filipino's reputation for improvidence, and to show the need in the Philippines of such an educational institution as the Philippine postal savings bank. The facts certainly justify the conclusion that the Philippine government should institute at once, through the officers of the bank and through the teachers and superintendents of the public schools, a vigorous educational campaign in the interest of teaching the saving habit to the rising generation of Filipinos. For, until the Filipino has learned the lessons of providence, thrift and self-control, which the saving habit exemplifies and inculcates, he cannot expect any high degree of either economic or political independence.